

Jonathan L. Flaxer (JF 7096)
Janice B. Grubin (JG 1544)
GOLENBOCK, EISEMAN, ASSOR & BELL
Counsel to Debtors and Debtors in Possession
437 Madison Avenue
New York, New York 10022
(212) 907-7300

Return Date: February 21, 2001
Time: 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	:	
	:	Chapter 11
	:	Case Nos. 00-41065 (SMB)
RANDALL'S ISLAND FAMILY GOLF	:	through 00-41196 (SMB)
CENTERS, INC., <u>et al.</u> ,	:	
	:	(Jointly Administered)
Debtors.	:	

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**NOTICE OF MOTION FOR ORDER AUTHORIZING WAIVER
BY CERTAIN DEBTORS OF INTERCOMPANY DEBT
OWED BY EAGLE QUEST FAMILY GOLF CENTERS, INC.**

PLEASE TAKE NOTICE, that upon the motion (the "Motion") of Randall's Island Family Golf Centers, Inc., et al., debtors and debtors-in-possession (the "Debtors") by its attorneys, Golenbock, Eiseman, Assor & Bell, a hearing shall be held before the Honorable Stuart M. Bernstein, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court, the Alexander Hamilton Customhouse, One Bowling Green, New York, New York 10004-1408 (the "Bankruptcy Court"), on February 21, 2001, at 10:00 a.m., or as soon thereafter as counsel may be heard (the "Hearing") for the entry of an order authorizing waiver of intercompany debt owed

by Eagle Quest Family Golf Centers, Inc., a corporation under the laws of Canada as more fully described and for the reasons set forth therein.

PLEASE TAKE FURTHER NOTICE, that objections to the relief requested, if any, must be in writing and must be received by (i) Golenbock, Eiseman, Assor & Bell, 437 Madison Avenue, New York, New York 10022 (Attn: Jonathan L. Flaxer, Esq.), (ii) Morgan Lewis & Bockius LLP, 101 Park Avenue, New York, New York 10178 (Attn: Richard S. Toder, Esq.), (iii) Berlack, Israels & Liberman LLP, 120 West 45th Street, New York, New York 10036 (Attn: Edward S. Weisfelner, Esq.) and (iv) the Office of the United States Trustee, and filed with the Bankruptcy Court (with a courtesy copy delivered to Chambers) by no later than 12:00 p.m. on February 19, 2001.

PLEASE TAKE FURTHER NOTICE, that the Motion will be filed by Debtors with the Bankruptcy Court and may be inspected via the United States Bankruptcy Court, Southern District of New York web site address at **<http://www.nysb.uscourts.gov>**. A copy of the Motion may also be obtained upon written request to the undersigned attorneys for Debtors.

PLEASE TAKE FURTHER NOTICE, that the Hearing may be adjourned from time to time without further notice to any creditor or other party-in-interest other than by

announcement of the adjourned date in open Court on the date of the Hearing or at any adjourned date thereof.

Dated: February 8, 2001
New York, New York

GOLENBOCK, EISEMAN, ASSOR & BELL
Counsel to Debtors and Debtors-in-Possession
437 Madison Avenue
New York, New York 10022
(212) 907-7300

By /s/ Jonathan L. Flaxer
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Janice B. Grubin (JG 1544)
Members of the Firm

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GOLENBOCK, EISEMAN, ASSOR & BELL
Counsel to Debtors and Debtors-in-Possession
437 Madison Avenue
New York, New York 10022
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Hearing Date: February 21, 2001
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
: Case Nos. 00-B-41065 (SMB)
RANDALL'S ISLAND FAMILY GOLF : through 00-B-41196 (SMB)
CENTERS, INC., et al., :
: (Jointly Administered)
Debtors. :
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**MOTION FOR ORDER AUTHORIZING WAIVER
BY CERTAIN DEBTORS OF INTERCOMPANY DEBT
OWED BY EAGLE QUEST FAMILY GOLF CENTERS, INC.**

THE HONORABLE STUART M. BERNSTEIN,
CHIEF UNITED STATES BANKRUPTCY JUDGE:

Family Golf Centers, Inc. et al. (the "Debtors") the captioned debtors and debtors-in-possession as and for its motion (the "Motion") for authorization to waive a certain alleged intercompany indebtedness owed to certain of the Debtors by Eagle Quest Family Golf Centers Inc., a corporation under the laws of Canada ("EQ Canada"), respectfully alleges as follows:

INTRODUCTION

1. On May 4, 200 (the "Filing Date"), each of the Debtors filed with this Court separate voluntary petitions for relief under chapter 11 of the Bankruptcy Code. By order of this Court dated as of the Filing Date, the Debtors' chapter 11 cases are being jointly administered. Pursuant to sections 1107 and 1108 of title 11 of the U.S. Code (the "Bankruptcy

Code”), the Debtors are continuing to operate their businesses and manage their properties as debtors-in-possession. The Debtors will continue to do so through the sale of their remaining assets--which is expected to be completed by the end of February.

2. The Debtors operate golf, ice skating and family entertainment centers throughout North America. As of the Filing Date, the Debtors owned and/or operated 100 golf facilities and 17 ice skating and family entertainment centers.

3. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), in that it is a matter concerning the administration of the Debtors’ estates. The statutory predicate for the relief requested in the Motion is sections 105(a) and 363(b) of the Bankruptcy Code.

4. The Debtors have recently determined to liquidate all of their remaining assets. Toward this end, its real estate broker, Keen Realty Consultants, Inc., is conducting an auction of all remaining assets.

BACKGROUND

5. EQ Canada is a wholly owned subsidiary of Family Golf Acquisition, Inc. (“FGA”), one of the Debtors. FGA is the owner of the shares of EQ Canada (the “EQ Canada Shares”).

6. Subsidiaries of EQ Canada include (i) one operating company in Canada which is a Canadian corporation and one inactive Canadian corporation, and (ii) Eagle Quest Golf Centers (US), Inc., a Delaware corporation, (“EQ US”) and various operating subsidiaries of EQ US. The subsidiaries of EQ US include companies operating in the United States and incorporated in the United States.

7. The books of EQ Canada reflect an indebtedness to the Debtors (such indebtedness being herein called the “EQ Canada Intercompany Debt”) in the amount of approximately U.S. \$34,000,000. Upon information and belief, the EQ Canada Intercompany Debt arises from the acquisition of EQ Canada by FGA or the funding of acquisitions and construction by EQ Canada and/or its subsidiaries with loans or advances originally from Family Golf Centers, Inc. (“Family Golf”). Upon information and belief, no promissory note or similar document exists to reflect the EQ Canada Intercompany Debt.

8. As part of its efforts to sell all of its remaining assets, in connection with the upcoming auction, the Debtors intend to sell the EQ Canada Shares. In order to effect the foregoing, EQ Canada will convey the shares of EQ US, and accordingly control of the U.S. subsidiaries of EQ US, to Family Golf, as it is not intended that a buyer of EQ Canada would acquire control of EQ US or its U.S. subsidiaries. In addition, Family Golf and FGA propose to effect transactions to facilitate the sale of the EQ Canada Shares involving the contribution of the EQ Canada Intercompany Debt to the capital of FGA and the subsequent (but more or less concurrent) extinguishment of the EQ Canada Intercompany Debt via a contribution thereof to the capital of EQ Canada or another transaction (consistent with Canadian practice) having similar effect. Family Golf and FGA may consult with the prospective purchaser of the EQ Canada Shares as to a tax efficient means (from a Canadian perspective) of accomplishing this transaction without any adverse consequence to FGA or Family Golf or their creditors.

RELIEF REQUESTED AND REASONS THEREFOR

9. Under section 363(b) of the Bankruptcy Code, the Court may authorize the use, sale or lease of property out of the ordinary course of business. In addition, under section 105(a)

of the Bankruptcy Code, this Court may issue any order necessary to implement the Bankruptcy Code.

10. In order to effect the sale of the EQ Canada Shares, it is necessary that the EQ Canada Intercompany Debt cease to be a liability of EQ Canada owing to any of the Debtors. No potential purchaser would acquire the EQ Canada Shares saddled with the EQ Canada Intercompany Debt.

11. On the other hand, there is no harm to the Debtors if the EQ Canada Intercompany Debt should cease to be a liability of EQ Canada owing to any of the Debtors. EQ Canada is only worth what a buyer is willing to pay for it in an arms-length transaction. All of the value thereof is subsumed in the proposed sale of its shares. EQ Canada has no current independent ability to satisfy or repay the EQ Canada Intercompany Debt and in fact has bank and other creditors whose claims would have to be discharged by the purchaser of its shares.

NOTICE

12. The Debtors have provided notice of this Motion to (i) the Office of the United States Trustee, (ii) Berlack, Israels & Liberman, LLP, counsel to the Official Committee of Unsecured Creditors, (iii) Morgan, Lewis & Bockius, LLP, counsel for The Chase Manhattan Bank, as agent for certain of the Debtors' pre and postpetition lenders and (iv) all other parties who have filed a notice of appearance in these chapter 11 cases. The Debtors believe that such notice is appropriate under the circumstances of this Motion and that any additional notice would not warrant the expense. Accordingly, the Debtors respectfully request that any and all other and further notice be dispensed with and waived.

WHEREFORE, the Debtors respectfully pray for entry of an Order permitting Family Golf and FGA, in connection with the sale of the EQ Canada Shares, to cause the EQ Canada Intercompany Debt to cease to be a liability owing to any of the Debtors, and granting such other relief as is just.

Dated: New York, New York
February 8, 2001

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